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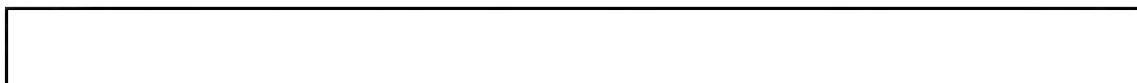
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INDIA: India is attempting to convince Bangladesh that the two countries must take the initiative to break the deadlock that is preventing a normalization of relations on the subcontinent.

New Delhi believes a normalization would remove a major obstacle to the improvement of its own relations with both Peking and Washington. The Indians apparently believe that unless Dacca adopts a more flexible position on the return of the 90,000 Pakistani POWs, domestic political constraints upon President Bhutto will make it extremely difficult for him to make any concession toward normalization, such as the release of the bulk of several hundred thousand Pakistani-held Bengalis or the recognition of Bangladesh.

Accordingly, P. N. Haksar, a special envoy from Prime Minister Gandhi, visited Dacca this week in an attempt to convince the Bengalis to drop their insistence that Pakistan recognize Bangladesh before prisoner exchanges or any discussion of the related problem of war crimes trials.

The Indians are increasingly concerned over charges that they are holding the Pakistani POWs illegally, and they are anxious to demonstrate that they are not responsible for the diplomatic stalemate. The Haksar trip appears to be a significant Indian move to break the impasse on the POW question; the Indians clearly are seeking at least a Bengali gesture toward resolving the problem. Nevertheless, they are still reluctant to jeopardize their good relations with Dacca by pushing the Bengalis too hard.

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*FRANCE: The new cabinet announced last evening reflects President Pompidou's increased personal strength after last month's legislative election. Over half of the 22 cabinet positions went to Gaullists; major posts are held by men close to the President. Although the Independent Republicans, the Gaullists' major partner, increased their strength within the coalition as a result of the election, the party gained only one additional cabinet post.

Giscard d'Estaing, the Independent Republicans' leader, retained the Ministry of Economics and Finance. Pompidou reportedly made the post conditional on his resignation as president of his party. Loss of this post may damage Giscard's chances in the presidential race in 1976.

Michel Jobert, formerly the head of the presidential staff, is the new Foreign Minister, replacing Maurice Schumann who lost his Assembly seat in the election. Jobert, one of Pompidou's closest working associates and a foreign affairs specialist, is untested in the political arena. Robert Galley, a technocrat and strong Gaullist who is also close to the President, replaces Michel Debre at the Defense Ministry.

The removal of Debre, coupled with other cabinet changes, is aimed at convincing the voters that Pompidou is responsive to demands for change. Creation of a new ministry for administrative reform is another sign of Pompidou's intention to make some changes. Prime Minister Messmer was reappointed last week and like Debre is also an arch-Gaullist, but the length of his tenure is uncertain. Pompidou may plan to retain him for several months as a face-saving device. Messmer was first appointed last July.

Conspicuous by his absence is Jean Lecanuet, head of the centrist faction that cooperated with the government in the last round of the legislative

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race. Pompidou offered Lecanuet a post, probably to strengthen their tie, but he declined. Lecanuet may be waiting to see if Pompidou acts on reforms, and may also be watching to see if Messmer is replaced soon. He probably also wants to be free to consolidate his control in the National Assembly over the centrists who split during the election over cooperation with the government. [REDACTED]

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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SIKKIM: Political disturbances have broken out in this tiny Indian protectorate situated in the Himalayas between India and China.

Earlier this week the ruler of Sikkim appealed for India's help in quelling demonstrators demanding more representative government. The protesters also charge that last February's elections, in which the royalist National Party made its best showing ever, was rigged. This rare public outbreak reflects growing dissatisfaction with the tightly controlled political system and an electoral arrangement that vastly under-represents the ethnic Nepalese community, which makes up about 75 percent of the population.

With more than 50,000 Indian troops in or near Sikkim, the Indians can easily prevent the disturbances from getting out of hand. Sikkim's status as an Indian protectorate falls midway between Indian statehood and independence, and New Delhi controls its foreign affairs, defense, and communications. The small country contains several key passes through the Himalayas, and thus is an area of major strategic concern to New Delhi. The Indians are also closely involved in Sikkim's internal affairs.

A senior official from India's Foreign Ministry is in Sikkim consulting with the Sikkimese leader. New Delhi probably views the situation as a good opportunity to remind the 50-year-old ruler of his dependence on India. Sikkim openly favors greater autonomy and complains of Indian interference in Sikkimese affairs. The ruler has yet to formally request a revision of the 1950 Indo-Sikkimese Treaty, however, and presumably realizes New Delhi opposes any substantial change in the present relationship.

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WEST GERMANY: The skeptical press reaction to a West German Government report on the state of relations with East Germany reflects a growing cynicism over whether Ostpolitik has done much to bridge the gap. The report, submitted to the Bundestag in lieu of treatment in Chancellor Brandt's usual "state of the nation" address, glosses over subjects of continuing bilateral difficulty. The press tends to side with the opposition, which has attacked the report as a whitewash. Although ratification of the inter-German treaty next month remains assured, the critical public appraisal of Ostpolitik could pose a problem for Brandt with party conservatives as well as his Free Democratic coalition partners. The opposition's failure to pull itself together since its shattering defeat in November, however, diminishes the immediate threat to Brandt. [REDACTED]

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CHINA-US: Continental Oil Company has been invited to the Canton Trade Fair that begins on 15 April. Continental, which has interests in petroleum, petrochemicals, and agricultural chemicals, and has been a leader in the development of techniques for offshore oil exploration, is the first US oil firm known to have been invited to a Chinese trade fair. In recent weeks, however, representatives of Standard Oil of Ohio reportedly were in Peking in connection with a Japanese plant sale involving US technology. Another US firm, which supplies services to oil refining and petrochemical industries, has been invited for technological discussions. Chinese contacts with these firms appear to be oriented toward the acquisition of US technology, but the development of limited trade in oil or chemicals is also possible. [REDACTED]

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INTERNATIONAL WHEAT: The International Wheat Council, a governmental association of major wheat producing and importing countries, has estimated that world wheat production in 1972/73 will be 5 percent below the previous year's record of 319 million tons. The Council predicts that stocks of wheat held by the major exporters on 1 August 1973 will be the smallest in 20 years. Major exporters have indicated that they will not permit stocks to fall any lower. Thus, import demand in the year ending 30 June 1974 will have to be met from 1973/74 production.

* * * *

INDIA: New Delhi has tightened bank credit in an effort to halt rising prices. Wholesale prices increased about 14 percent and food 18 percent, during the fiscal year that ended 31 March. The price increases reflect a 12-percent increase in the money supply and widespread food and raw material shortages. To reduce pressure on prices, the government has raised the percentage of funds that banks must keep liquid, increased interest rates, and curbed credit to public sector enterprises. These restrictions, however, probably will dampen further industrial production and new investment. At the same time, bank financing of the government's budget deficit, which accounted for virtually the entire increase in the money supply in the last fiscal year, is continuing.

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JAPAN - NEW ZEALAND: Tokyo continues to have difficulty locating sources of softwood timber outside the US. New Zealand has decided not to increase its exports of timber despite the high prices Japan is willing to pay. New Zealand now has a timber shortage itself because of its own building boom and exports to Japan, and Wellington has decided that the needs of its domestic market must first be fulfilled. The housing boom in Japan has generated very large demands for timber, and Tokyo would like to diversify its sources in view of US complaints that exports are creating a shortage and driving up prices in the US. Japanese purchases account for 90 percent of US exports of softwood logs.

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